

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D. C. 20268-0001

RECEIVED

SEP 17 4 13 PM '97

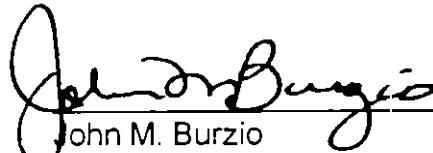
POSTAL RATE AND FEE CHANGES, 1997

Docket No. P97-1
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

INTERROGATORIES OF ADVO, INC.
TO UNITED STATES POSTAL SERVICE WITNESS
PETER BERNSTEIN (ADVO/USPS-T31-2)

Pursuant to sections 25 and 26 of the Rules of Practice, Advo, Inc. (Advo) directs the following interrogatories to United States Postal Service witness Peter Bernstein. If the witness is unable to respond to any interrogatory, we request that a response be provided by appropriate USPS witness capable of providing an answer.

Respectfully submitted,



John M. Burzio
Thomas W. McLaughlin
Burzio & McLaughlin
1054 31st Street, N.W.
Washington, D. C. 20007
Counsel for ADVO, INC.

CERTIFICATE OF SERVICE

I hereby certify that I have on this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.


Thomas W. McLaughlin

September 17, 1997

ADVO/USPS-T31-2. Please refer to your discussion of the Ramsey workshare discount on pages 87-89 of your testimony. You refer to the difference between the Ramsey single-piece and workshare rates as a “discount” and, when that rate difference is greater than the USPS avoided cost difference, you describe it as causing a productive inefficiency.

Assume a class of mail that offers an optional discount for presortation. In that class there are two general types of mailers. Type A mailers are significantly more price sensitive than type B mailers. Many A mailers have a user cost for sortation that is lower than the USPS presort discount and therefore presort and take advantage of the USPS presort discount, although a significant number of A mailers do not presort. All B mailers have a higher user cost for sortation and therefore do not presort. Further assume that the USPS discount is the same for both mail types and is based on an accurate estimate of avoided cost, and that the price elasticities of type A and type B mailers are accurately estimated.

- (a) Do you agree that the different demand elasticities and user costs for type A and type B mailers will result in different Ramsey prices for these mail types? If not, explain why not.
- (b) Do you agree that separate type A and type B Ramsey prices would result in an increase in allocative efficiency? If not, explain why not.
- (c) Do you agree that if separate type A and type B Ramsey prices were developed, the same presort discount (equal to the USPS avoided cost) could be applied to both prices. If not, explain why not.
- (d) If the presort discounts are based on USPS avoided costs for both the type A and type B prices, would rates as described in (c) above generate any productive inefficiency? Please explain your response.